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TREASURY FOR GLASER, D. AND KIMMIT, R.  
NSC FOR MICHAEL PASCUAL

E.O. 12958: DECL: 12/04/2018  
TAGS: [EFIN](#) [KNNP](#) [KTFN](#) [KPAL](#) [PTER](#) [PREL](#) [IS](#)  
SUBJECT: ISRAEL'S NSC SUPPORTS MINIMUM MONTHLY CASH FOR  
GAZA; WANTS USG HELP TO SELL THE IDEA

REF: A. JERUSALEM 2274  
[1](#)B. TEL AVIV 2713  
[1](#)C. TEL AVIV 2603  
[1](#)D. TEL AVIV 2447

Classified By: Amb. James Cunningham for reasons 1.4(b) and (d)

\*\*THIS IS A CORRECTED COPY AMENDING TEL AVIV 2858 TO INCLUDE  
REFTELS\*\*

1.(S) SUMMARY: In a meeting with Emboffs on December 17, Ehud "Udi" Levi, National Security Council (NSC) Counterterrorism Finance Bureau Director, expressed interest in pursuing a GOI commitment to allow a monthly transfer of shekel bank notes from the West Bank headquarters of Palestinian banks to their Gaza branches. The preliminary figure under consideration by Levi's team of analysts for monthly transfer is NIS 40 million, a minimum figure the NSC estimates will keep the banking system in Gaza from collapsing. Levi said he had the support of the Bank of Israel and some others in the GOI's security establishment who worried that the cash transfer issue would become increasingly politicized in the run-up to Israel's elections. However, Levi said it would be helpful if the USG were to weigh in (he suggested a phone call from DepSec Kimmitt to Stanley Fischer) supporting the idea. Corroborating the urgency of this request, Econcouns was told by an MFA official on December 18 that the study group Foreign Minister Livni had ordered to explore legal means of ending Israel's Oslo obligations to the Gaza banking system would complete its work in 2-3 weeks. END SUMMARY.

2.(S) RECOMMENDATION AND ACTION REQUEST : We believe that getting the GOI to agree to a fixed monthly influx of funds to Gaza will establish a basis for preventing growing politicization of the issue. The amount should be agreed between PA and GOI banking experts based on the minimum amount necessary to ensure a functioning formal banking sector in Gaza. Considering the current political situation and the vociferous opposition to allowing any funds into Gaza by many in the Israeli political establishment and public, and growing tensions with Hamas, we believe that pursuing an agreement that provides at least some minimum cash into Gaza each month is the most prudent way to provide assurance to the PA and the Palestinian banks that they will have sufficient funds to do business. Expression of USG support to key officials in the GOI could help determine the argument within the GOI. END RECOMMENDATION AND ACTION REQUEST.

3.(S) Emboffs met with Israeli NSC Counterterrorism Finance Director Udi Levi on December 17 to discuss GOI efforts to establish a minimum monthly cash transfer to Gaza banks. Levi agreed that a complete collapse of the banking system would

not serve Israel's security interests, but warned that shekels entering Gaza were being funneled to Hamas in large quantities through various methods. Therefore, said Levi, allowing too much into the territory would have negative consequences that far outweighed the positive ones. He said that money was being taken by Hamas from armored trucks arriving from Israeli border crossings before being delivered to banks. Furthermore, Levi continued, Hamas had initiated a program of draining Gazan bank branches of their reserves by demanding that its operatives withdraw as such cash as possible from their accounts. Levi contended that the PA's list of 77,000 civil servants, which had grown from around 35,000 a couple of years ago, was grossly inaccurate; he said that many of these salaries were being paid to Hamas supporters. Levi also mentioned that the new Hamas-operated bank in Gaza, even if illegal under the PA, would benefit from any additional liquidity available in the territory (see reftel "A"). Consistent with other reports on the matter, Levi claimed that Gaza remained flush with cash. The NSC estimates that only a "few dozen" million NIS have flowed out of the territory since Hamas took control, but the GOI has calculated that it has permitted approximately NIS 1.7 billion to enter since that time.

4.(S) Econcouns made the point that failing to keep the legitimate banks afloat would force Gaza into a cash economy that would escape regulation and from which only Hamas would benefit. Econcouns also informed Levi that a bank collapse in Gaza could have a disastrous ripple effect on bank confidence and solvency in the West Bank. This would complicate PM Fayyad's efforts to fight corruption by building confidence in direct deposit of salaries. It could also allow Hamas to claw back some of the ground they have

lost to aggressive PA security force efforts to take down Hamas' 'charitable' institutions in the West Bank. Levi concurred, adding that GOI intelligence and security services generally shared this opinion. However, key opponents within the government including MFA and MOD officials have hindered efforts to develop a regular, monthly transfer of NIS to Gaza. Drawing on the example of this month's last-minute approval of the transfer of NIS 100 million, Levi acknowledged that politicians and others in the public eye are influenced by the highly negative public reaction within Israel to funding Gaza. He said that USG outreach to important GOI officials would be vital to convince opponents in the GOI of the plan's merit.

5.(S) In a conversation on December 18 with MFA Deputy DG for Economics Irit Ben Abba, Econcouns learned that Tzipi Livni, who opposes any cash transfers to Gaza, has asked the DG at the MFA to determine if the GOI has a legal means of revoking its recognition of the PMA as it applies to Gaza. Doing so would permit the BOI to terminate its obligations to the Gaza banking sector. Ben Abba told Econcouns that the group would present its determination within the next 2-3 weeks.

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